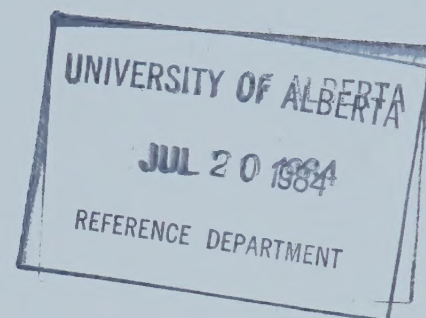


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PETROMINES LIMITED

ANNUAL REPORT 1983



PETROMINES LIMITED and Subsidiary Companies

ANNUAL MEETING

Shareholders are cordially invited to attend the annual meeting to be held at the office of the Company (1200, 140 - 4th Avenue S.W., Calgary, Alberta) on June 26, 1984 at 2:00 p.m.

PETROMINES LIMITED

TO THE SHAREHOLDERS

Oil and gas sales for the year ended December 31, 1983 were \$113,816 compared to \$45,465 a year earlier. This represents a 150 percent increase and a record level of sales for the Company. The cash flow deficit was reduced to \$50,157 from \$99,286 during 1982. The net loss for the period was \$94,529 compared to a loss of \$151,881 the previous year.

The increase in revenue was largely due to the substantially improved level of production at Bohn Lake in Northeastern Alberta where the Homestead Lochiel Cowpar 7-29-79-4W4 well produced 54,500 mcf of gas net to Petromines during 1983 compared to 14,400 mcf during 1982.

The four gas wells in Kansas that came on stream in mid 1983 produced 3,398 mcf net to Petromines by year end. Production at Craig Lake increased slightly during the year to 3,460 mcf from 3,292 mcf in 1982.

Though the advances from the affiliated companies increased moderately to \$842,712 by December 31, 1983, interest expense for the year decreased to \$88,792 compared to \$102,527 a year earlier due to lower rates of interest. Operating expenses of \$43,316 and

depletion and depreciation charges of \$35,968 were significant expense items due to the much greater level of production from working interest properties during 1983. The level of general and administrative expenses actually declined during the 1983 to \$24,423 from \$26,728 a year earlier as the Company continues its efforts to tightly control discretionary costs.

Subsequent to year-end, Petromines completed an arrangement with ICG Resources Ltd. whereby Petromines will transfer all its working interests, which range from 6.6667 percent to 13.3334 percent, in the lands in Bohn Lake (excluding section 29-79-4-W4M containing the 7-29 gas well) to a 2.5833 percent gross overriding royalty calculated on 100 percent of all production from the subject lands and additional lands held solely by ICG in the Bohn Lake region. As well, Petromines received approximately \$90,000.00 from ICG for this transfer of interest. It is anticipated that five wells subject to this agreement will be on stream by year-end 1985 and Petromines should begin to receive royalties in early 1986.

In the Canadian Arctic Islands, Petromines holds a 37.5 percent interest in one 170,724 acre block off Northeastern Prince

PETROMINES LIMITED

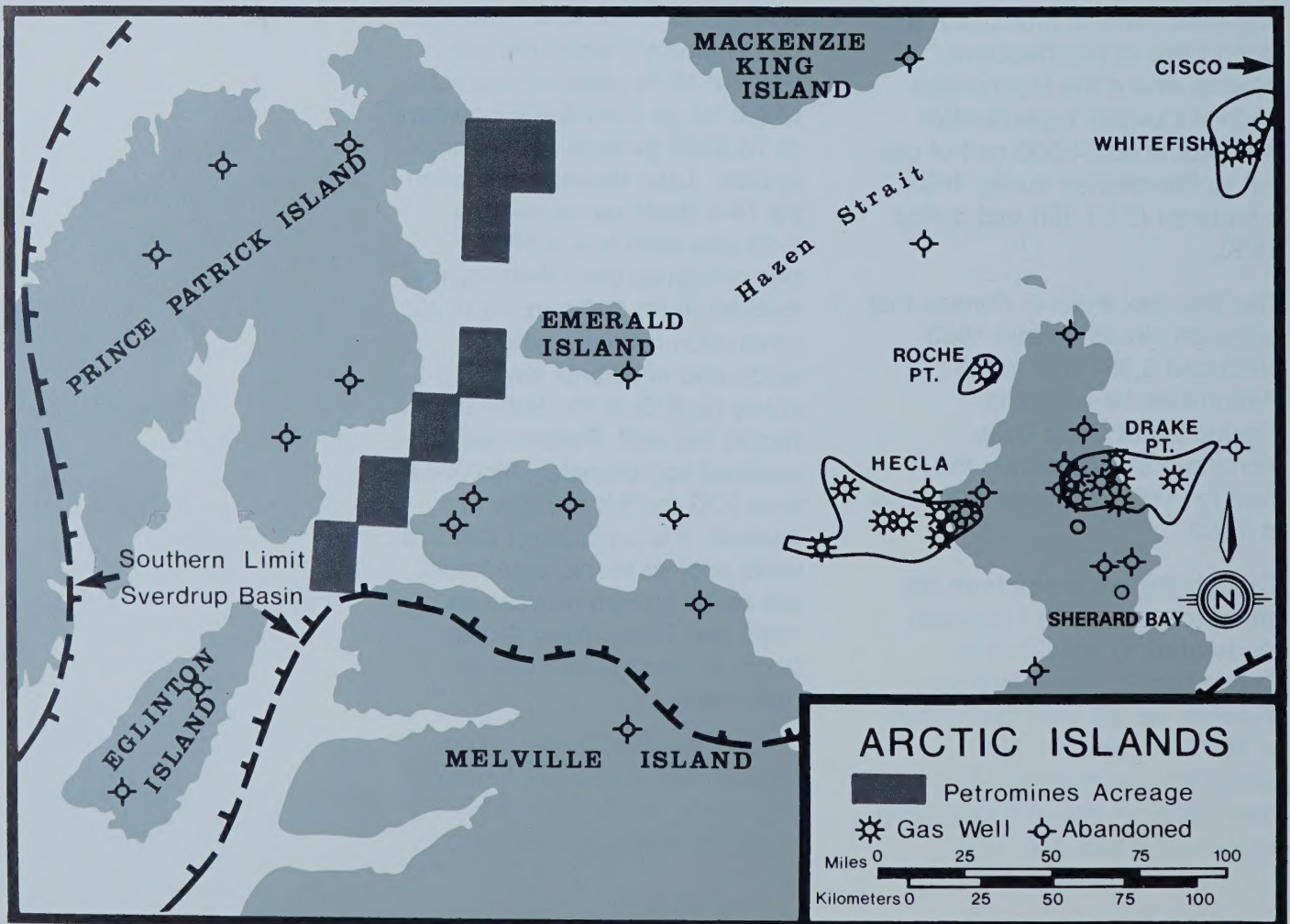
Patrick Island. Another 25 percent interest is held in 4 blocks covering 239,734 acres in Fitzwilliam Strait between Prince Patrick and Melville Islands. These lands are situated approximately 78 miles west of the Hecla gas fields. No seismic work or exploratory drilling was undertaken in the Petromines

immediate area of interest during 1983.

On behalf of the Board



N.W. Taylor
President



PETROMINES LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1983

ASSETS

	1983	1982
CURRENT ASSETS		
Cash	\$ 2,703	\$ 46,323
Accounts receivable	53,067	20,123
	55,770	66,446
PROPERTY AND EQUIPMENT (note 2)	314,644	284,248
OTHER ASSETS	2,502	2,502
	<u>\$372,916</u>	<u>\$353,196</u>


LIABILITIES


CURRENT LIABILITIES		
Accounts payable	\$ 7,097	\$ 5,065
DUE TO AFFILIATED COMPANIES (note 3)	842,712	730,495

SHAREHOLDERS' DEFICIENCY

SHARE CAPITAL (note 4)	519,575	519,575
DEFICIT	(996,468)	(901,939)
	(476,893)	(382,364)
	<u>\$372,916</u>	<u>\$353,196</u>

Approved on behalf of the Board,

 , Director

 , Director

PETROMINES LIMITED

CONSOLIDATED STATEMENT OF LOSS

YEAR ENDED DECEMBER 31, 1983

	1983	1982
INCOME		
Oil and gas sales	\$113,816	\$ 45,465
Other income	7,436	—
	121,252	45,465
EXPENSES		
Operating	43,316	898
General and administrative	24,423	26,728
Interest	88,792	102,527
Lease rentals	14,627	13,415
Petroleum and gas revenue tax	1,411	3,907
Dry holes and abandonments	8,404	30,230
Geophysical and geological costs	23,882	—
Write-down of developed petroleum and natural gas properties to net realizable value	—	5,700
Surrender of mining leases	—	12,195
Depletion and depreciation	35,968	4,470
	240,823	200,070
LOSS BEFORE INCOME TAXES	119,571	154,605
ALBERTA ROYALTY TAX CREDIT	25,042	2,724
NET LOSS	\$ 94,529	\$151,881
LOSS PER SHARE	\$ 0.026	\$ 0.041

CONSOLIDATED STATEMENT OF DEFICIT

YEAR ENDED DECEMBER 31, 1983

	1983	1982
DEFICIT, beginning of year	\$901,939	\$750,058
NET LOSS	94,529	151,881
DEFICIT, end of year	\$996,468	\$901,939

PETROMINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1983

	<u>1983</u>	<u>1982</u>
WORKING CAPITAL WAS PROVIDED BY		
Advances from affiliated companies	\$112,217	\$251,746
Petroleum incentive grants	—	12,397
	<u>112,217</u>	<u>264,143</u>
WORKING CAPITAL WAS USED FOR		
Current operations	50,157	99,286
Purchase of property and equipment	74,768	112,274
	<u>124,925</u>	<u>211,560</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(12,708)	52,583
WORKING CAPITAL, BEGINNING OF YEAR	<u>61,381</u>	<u>8,798</u>
WORKING CAPITAL, END OF YEAR	<u>\$ 48,673</u>	<u>\$ 61,381</u>

PETROMINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1983

1. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Golden North Oils Ltd. and Petromines (U.S.) Inc.

(b) Petroleum and natural gas properties

The Company initially capitalizes all costs related to exploration for and development of petroleum and natural gas whether the properties are productive or non-productive. The cost of non-producing properties, including development and exploration thereon, less any proceeds on disposal, is charged against income in the year of disposal, abandonment or surrender. Costs pertaining to producing properties are depleted on the unit of production method based on estimated proven reserves. Carrying charges are charged against earnings in the year incurred.

(c) Petroleum incentive program

Petroleum incentive grants earned under the Petroleum Incentives Program have been deducted from the cost of the related assets.

(d) Joint venture accounting

A portion of the Company's exploration activities related to oil and gas is conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

(e) Translation of foreign currencies

The accounts of the foreign subsidiary have been translated to Canadian dollars on the following basis: current assets and current liabilities at the rate of exchange in effect at the year-end; other assets and liabilities at the rate of exchange in effect at the date of settlement. Revenue and expense items are translated using average rates of exchange prevailing throughout the year.

(f) Loss per share

Net loss per share is based on the weighted average number of shares outstanding during the year.

2. Property and equipment

		1983		1982
	Cost	Accumulated Depletion and Depreciation	Net	Net
Developed petroleum and natural gas properties	\$272,435	\$55,188	\$217,247	\$179,725
Undeveloped petroleum and natural gas properties	97,397	—	97,397	104,523
	<u>\$369,832</u>	<u>\$55,188</u>	<u>\$314,644</u>	<u>\$284,248</u>

PETROMINES LIMITED

3. Due to affiliated companies and related party transactions

Most of the Company's operations are being funded by advances from two companies which hold a significant portion of the Company's issued share capital. One of these companies shares common management with the Company. Amounts due to these affiliated companies bear interest at prime plus 1 $\frac{3}{8}$ % and have no fixed terms of repayment.

4. Share capital

	1983	1982
Authorized		
7,500,000 common shares of no par value		
Issued		
3,673,500 common shares.....	\$519,575	\$519,575

5. Segmented Information

	1983		
	Canada	United States	Total
Oil and gas sales	\$104,841	\$ 8,975	\$113,816
Operating loss	\$ 10,099	\$ 3,693	\$ 13,792
Other income			(7,436)
General and administrative			24,423
Interest			88,792
			105,779
Loss before income taxes			\$119,571
Petroleum and natural gas properties	\$239,812	\$74,832	\$314,644
Other assets	58,272	—	58,272
	\$298,084	\$74,832	\$372,916
	1982		
	Canada	United States	Total
Oil and gas sales	\$ 45,465	\$ —	\$ 45,465
Operating loss	\$ 11,519	\$13,831	\$ 25,350
General and administrative			26,728
Interest			102,527
			129,255
Loss before income taxes			\$154,605
Petroleum and natural gas properties	\$221,577	\$62,671	\$284,248
Other assets	68,948	—	68,948
	\$290,525	\$62,671	\$353,196

PETROMINES LIMITED

AUDITORS' REPORT

To the Shareholders
Petromines Limited

We have examined the consolidated balance sheet of Petromines Limited as at December 31, 1983 and the consolidated statements of loss, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1983 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COLLINS BARROW
Chartered Accountants

Calgary, Alberta
April 19, 1984

PETROMINES LIMITED

Incorporated in Manitoba

Business Office 1200 Sun Life Plaza, North Tower, 140 - 4th Avenue S.W.,
Calgary, Alberta T2P 3N3

Officers President — N. W. Taylor
Secretary — F. J. Smith

Directors N. W. Taylor
W. G. Brown
Duane Taylor
P. L. Kneeland

Transfer Agent Central Trust Company
364 Main Street
Winnipeg, Manitoba

Bankers The Toronto-Dominion Bank
#2 Calgary Place
340 - 5th Avenue S.W.
Calgary, Alberta

Solicitors Macleod Dixon
1500 Home Oil Tower
324 - 8th Avenue S.W.
Calgary, Alberta

Auditors Collins Barrow
800 Gulf Canada Square
401 - 9th Avenue S.W.
Calgary, Alberta

Shares Listed Alberta Stock Exchange
Symbol PTR

